

1 State of Arkansas
2 92nd General Assembly
3 Regular Session, 2019

A Bill

HOUSE BILL 1173

4
5 By: Representative House

For An Act To Be Entitled

8 AN ACT REQUIRING PUBLICLY FUNDED RETIREMENT SYSTEMS
9 TO PERFORM FINANCIAL STRESS TESTS; AND FOR OTHER
10 PURPOSES.

Subtitle

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14 REQUIRING PUBLICLY FUNDED RETIREMENT
15 SYSTEMS TO PERFORM FINANCIAL STRESS
16 TESTS.

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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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21 SECTION 1. Arkansas Code Title 24, Chapter 1, Subchapter 1, is amended
22 to add an additional section to read as follows:

23 24-1-109. Annual financial stress test report.

24 (a) As used in this section:

25 (1) "Publicly funded retirement system" means:

26 (A) The Arkansas Teacher Retirement System, established by
27 the Arkansas Teacher Retirement System Act, § 24-7-201 et seq.;

28 (B) The Arkansas State Highway Employees' Retirement
29 System, established by § 24-5-103;

30 (C) The Arkansas Public Employees' Retirement System,
31 established by § 24-4-103;

32 (D) The State Police Retirement System, established by §
33 24-6-203;

34 (E) The Arkansas Judicial Retirement System, established
35 by § 24-8-201 et seq.;

36 (F) An alternate retirement plan for:



1 (i) A college, university, or the Department of
 2 Higher Education provided for under § 24-7-801 et seq.; and

3 (ii) A vocational-technical school or the Department
 4 of Career Education provided for under § 24-7-901 et seq.;

5 (G) The Arkansas Local Police and Fire Retirement System
 6 provided for under § 24-10-101 et seq.; and

7 (H) A firemen's relief and pension fund or a policemen's
 8 pension and relief fund provided for under § 24-11-101 et seq.; and

9 (2) "Financial stress test" means a test that provides
 10 information on:

11 (A) Projections of:

12 (i) Assets;

13 (ii) Liabilities;

14 (iii) Pension debt;

15 (iv) Service costs;

16 (v) Employee contributions;

17 (vi) Employer contributions;

18 (vii) Net amortization;

19 (viii) Benefit payments;

20 (ix) Payroll; and

21 (x) A publicly funded retirement system's funded
 22 ratio for each of the next thirty (30) years that is based on current
 23 actuarial assumptions, including the assumed rate of return;

24 (B) Projections for the items listed in subdivisions
 25 (a)(2)(A)(i)-(x) of this section if the:

26 (i) Investment returns are two (2) percentage points
 27 lower than the assumed rate of return; and

28 (ii) State makes employer contributions that are:

29 (a) Based on current funding policy for the
 30 publicly funded retirement system; and

31 (b) Held constant at the levels calculated
 32 under subdivision (a)(2)(A)(x) of this section;

33 (C) Estimates of the items listed in subdivisions
 34 (a)(2)(A)(i)-(x) of this section if there is a one-year loss on planned
 35 investments of twenty percent (20%) that is followed by a twenty-year period
 36 of investment returns of two (2) percentage points below plan assumptions,

1 including without limitation assumptions concerning:

2 (i) Adjusting the contributions of an employer based
3 on current policy; and

4 (ii) Holding the contributions of an employer
5 constant at levels that are calculated for baseline projections; and

6 (D) Estimates of:

7 (i) Actuarially accrued liability;

8 (ii) The total normal plan cost for each benefit
9 tier of a publicly funded retirement system; and

10 (iii) The normal cost to an employer for a benefit
11 tier of a publicly funded retirement system that is calculated using:

12 (a) A discount rate equal to the assumed rate
13 of return; and

14 (b) The ten-year average of the yield of
15 thirty-year treasury notes.

16 (b)(1) The board of trustees of a publicly funded retirement system
17 shall select an actuary to perform an annual financial stress test of the
18 publicly funded retirement system.

19 (2) The Joint Committee on Public Retirement and Social Security
20 Programs may direct an actuary employed by the General Assembly to perform an
21 annual financial stress test of each of the publicly funded retirement
22 systems.

23 (c) No later than twenty (20) days before the convening of a regular
24 session, the results of a financial stress test performed under this section
25 shall be submitted to the Joint Committee on Public Retirement and Social
26 Security Programs by the:

27 (1) Board of trustees of a publicly funded retirement system;
28 and

29 (2) Actuary employed by the General Assembly if the actuary is
30 directed to perform a financial stress test by the Joint Committee on Public
31 Retirement and Social Security Programs.

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